

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (12/12):**

BUTTER: Grade AA closed at \$1.2700. The weekly average for Grade AA is \$1.2700 (+.0242).

CHEESE: Barrels closed at \$1.2700 and blocks at \$1.3500. The weekly average for barrels is \$1.2700 (+.0130) and blocks, \$1.3560 (-.0040).

BUTTER: The market tone remains firm. Cream supplies for churning are lighter than desired. Most butter operations are looking ahead to the Christmas/New Years holiday period and hoping for additional cream offerings at that time. Demand for fresh butter remains relatively strong. In most instances, churning activity is not keeping pace with demand thus inventories continue to decline at a faster than anticipated rate. Many producers and handlers indicate that their year end carry over supplies will be considerably lower this year versus the previous few years. For the most part, Christmas/New Years orders have been placed and shipped. Most sales activity at this time is for fill-in needs. Some producers and handlers are quite surprised at the strong butter demand this close to the holidays.

CHEESE: The cheese market is unsettled. Following a decline Monday, barrels have held the last four sessions. However, after a lengthy stay at \$1.36, blocks dipped a penny late in the week. Barrels remain in a long position and demand is just fair. Supplies of most natural varieties range from light to adequate. Demand is seasonally good, but most retailers have the bulk of their needs already in their distribution channels. Cheese production has eased from the slight increase seen during Thanksgiving week. Surplus milk volumes in the Eastern two-thirds of the country remain tight.

FLUID MILK: Milk production is steady to higher. Increases in milk volumes are predominately reported in the Western states. Fluid milk demand from Southeastern states is seasonally lower yet excess milk supplies are limited in the region. Class I interest is good as bottlers resume normal production schedules following the Thanksgiving holiday and in response to surges in consumption as winter storms moved through Central and Eastern states. Condensed skim prices are unchanged with most movement occurring on contracts. Cream markets are firm. Prices are generally higher in response to increases in the CME AA butter average compared to the week prior. Fluid cream supplies are steadily clearing into holiday Class II items with surplus volumes anticipated as demand seasonally falters at the end of the month.

DRY PRODUCTS: Dry product markets are trending steady to weak. NDM production is unchanged to higher. Supplies of CCC exchange NDM are competitively priced and most readily available in the Central and Eastern states. Traders continue to await the next DEIP announcement yet movement of NDM to export markets is occurring without government assistance. Buttermilk supplies remain short of buyer interest. Production is anticipated to increase with heavier milk supplies at the end of the year. Whey markets are generally weak. Whey stocks are mixed. Plants with heavier supplies are discounting and clearing stocks before the year end while plants reporting

balanced inventories are garnering premiums on their sales. WPC prices are lower in response to heavier than anticipated supplies at the year end. Lactose supplies remain tight with higher prices expected in 2004.

CCC: During the week of December 8 - 12, CCC purchased 13,786,112 net pounds of nonfortified NDM from the West.

OCTOBER DAIRY PRODUCTS HIGHLIGHTS (NASS): Butter production was 97.0 million pounds in October, 5.5% below October 2002 but 32.7% above September 2003. American type cheese production totaled 302.6 million pounds, 1.6% above October 2002 and 4.3% above September 2003. Total cheese output (excluding cottage cheese) was 739.2 million pounds, 1.0% above October 2002 and 3.8% above September 2003. Nonfat dry milk production, for human food, totaled 99.1 million pounds, 4.1% below October 2002 but 12.0% above September 2003. Dry whey production, for human food, was 82.2 million pounds, 7.2% below October 2002 but 4.4% above September 2003. Ice cream (hard) production totaled 68.7 million gallons, 2.6% below October 2002 and 4.4% below September 2003.

ERRATA: The summary for October Dairy Products Highlights on page 7 of the current issue describes data for total whey and not human whey as highlighted in the text. Information above and in the table on page 7 are correctly displayed.

OCTOBER FLUID MILK SALES (DAIRY PROGRAMS & CDFA):

During October, about 4.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.0% lower than October 2002. After adjusting for calendar composition, sales in October 2003 were 1.5% lower than October 2002. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from October 2002, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

SEPTEMBER MAILBOX MILK PRICES (DAIRY PROGRAMS): In September 2003, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.28, \$1.37 more than the revised figure for the previous month. The component tests of producer milk in September 2003 were: butterfat, 3.61%; protein, 3.02%; and other solids, 5.68%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$17.25 in Florida to \$12.36 in the Northwest States. In September 2002, the Federal milk order all-area average mailbox price was \$11.40, \$2.88 lower.

DECEMBER MILK SUPPLY AND DEMAND ESTIMATES (WAOB):

The dairy production forecast for 2003/04 is reduced 400 million pounds from last month. Milk per cow continues to lag long-term trends. The stocks forecast are also reduced from last month. Class III and IV price forecasts are raised to reflect the tighter supplies. The all milk price is forecast to be \$12.35-\$12.95 in 2003/04.

****SPECIAL THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY DECEMBER 8	TUESDAY DECEMBER 9	WEDNESDAY DECEMBER 10	THURSDAY DECEMBER 11	FRIDAY DECEMBER 12	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.2700 (-.0150)	\$1.2700 (N.C.)	\$1.2700 (N.C.)	\$1.2700 (N.C.)	\$1.2700 (N.C.)	-.0150	\$1.2700 (+.0130)
40# BLOCKS	\$1.3600 (N.C.)	\$1.3600 (N.C.)	\$1.3600 (N.C.)	\$1.3500 (-.0100)	\$1.3500 (N.C.)	-.0100	\$1.3560 (-.0040)
BUTTER GRADE AA	\$1.2700 (N.C.)	----	\$1.2700 (N.C.)	----	\$1.2700 (N.C.)	N.C.	\$1.2700 (+.0242)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.) NOTE: THE CME WILL BE CLOSED THURSDAY AND FRIDAY, 12/25-26/03.

CHICAGO MERCANTILE EXCHANGE

MONDAY, DECEMBER 8, 2003

CHEESE — SALES: 1 CAR BARRELS @ \$1.2700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.2850, 1 @ \$1.2950
 BUTTER — SALES: NONE; BIDS UNFILLED: 10 CARS GRADE AA: 5 @ \$1.2450, 5 @ \$1.2400; OFFERS UNCOVERED: NONE

TUESDAY, DECEMBER 9, 2003

CHEESE — SALES: 1 CAR BARRELS @ \$1.2700; 9 CARS 40# BLOCKS: 1 @ \$1.3500, 1 @ \$1.3600, 2 @ \$1.3500, 1 @ \$1.3600, 1 @ \$1.3500, 1 @ \$1.3600, 1 @ \$1.3575, 1 @ \$1.3600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.2700, 1 @ \$1.2800

WEDNESDAY, DECEMBER 10, 2003

CHEESE — SALES: 19 CARS 40# BLOCKS: 13 @ \$1.3600, 1 @ \$1.3575, 5 @ \$1.3600; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.3600; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2700

BUTTER — SALES: 3 CARS GRADE AA: 2 @ \$1.2600, 1 @ \$1.2700; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.2600; OFFERS UNCOVERED: NONE

THURSDAY, DECEMBER 11, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2700; 2 CARS 40# BLOCKS: 1 @ \$1.3500, 1 @ \$1.3600

FRIDAY, DECEMBER 12, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2700; 1 CAR 40# BLOCKS @ \$1.3500
 BUTTER — SALES: 2 CARS GRADE AA @ \$1.2700; BIDS UNFILLED: 3 CARS GRADE AA @ \$1.2700; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.2800

BUTTER MARKETS

OCTOBER BUTTER PRODUCTION

During October, 2003, butter production in the United States totaled 97.0 million pounds, 5.5% less than October 2002 but 32.7% more than September 2003. The following are October to October changes for various states: CA+11.9%, NY +33.4%, PA -26.6%, and WI -12.8%.

NORTHEAST

The market tone is mixed. The price at the CME continued its steady climb last week, but did hold during Monday's (12/8) trading. In light of the recent activity at the CME, there were no sales during Monday's trading. This marked the first session since August 4, that at least one car of butter did not sell. Churning activity remains limited in the East, but a little more surplus milk was available to some butter/powder operations. Fresh butter stocks continue to be tight. Frozen butter stocks are being drawn down, but still fully adequate to meet needs. Demand for butter is holding up rather nicely, but most of the retail year-end needs have been shipped. Food service orders are good. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 7.5 cents over the CME price/average.

CENTRAL

The market tone is firm. At midweek, the cash trading level at the CME was \$1.2700, 16 cents higher than last year at this time and the highest cash butter has been since March 2002. In many Central butter operations, churning activity is lighter than desired. Often at this time of the year, most producers and handlers are winding up holiday sales and working down inventories. This year, butter production has trailed fresh butter demand for much of the fall, thus inventories have been declining at a faster rate than usual. For the most part, year end orders have been placed and shipped, although with the strong demand and active promotional activity, many producers and handlers are anticipating filling heavier

than usual orders during the next few weeks. Retail sales are reported to be quite strong. Favorable base prices, coupled with scattered feature activity, are stimulating active buying interest at the retail level. Food service orders are equally positive. A strong holiday shopping season and good weather patterns are encouraging consumers to dine away from home. Bulk butter for spot sale is limited, although when available is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Reorders for print butter coming after the Thanksgiving holiday are being rated as good. Shipments moving out for the Christmas holiday are excellent. CME cash butter prices hit \$1.27 last week which is the highest price since March of 2002. Sales activity at the Exchange has slowed down from the very active period of a few weeks ago. In fact, there were no sales reported on December 8. Cream available for churning is less than anticipated for December. Storage stocks of butter continue to be depleted to make up the shortfall. Feature activity at retail stores is less noteworthy than at some times over the past few years. U.S. butter production in October reached 97.0 million pounds. This amount trails last year by 5.5% or 5.6 million pounds. Output in October recovered from the depressed September level by 32.7% or 23.4 million pounds. Cumulative butter output through the first ten months of the year has reached 1.04 billion pounds, down 7.7% or 86.5 million pounds. This works out to 1.97 million pounds less production per week in 2003 compared to 2002. Output in the Western region was up 1.0% from last year in October 2002 and up 14.1% from September. Stocks continue to fall sharply on the weekly CME warehouse total report. They now stand at 65.3 million pounds, down 5.98 million pounds from last week. They are now at the lowest level since February 2002. Stocks have declined 141.2 million pounds from the peak in July for an average weekly decline of 7.1 million pounds. Current prices for bulk butter range from flat market to 3 1/2 cents under the market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
DECEMBER 06	1.3573	1.2555	0.8073	1.2064	0.1987
	10,325,642	9,790,453	22,352,064	3,247,604	11,093,949

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are unchanged on natural items, sharply higher on process. Last week's trading at the CME saw the price for barrels jump significantly, but they did decline during Monday's (12/8) session. Process cheese orders are fair to good as fast food outlets and other restaurants are enjoying good business during the holiday shopping season. Demand for other natural and aged cheddar is also good, but retail prices are often a deterrent to sales. Cheese output in the Northeast is steady at moderate levels. Some producers did see milk supplies increase last week, but most are operating on reduced schedules.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.4250-1.9300
Cheddar Single Daisies	:	1.3825-1.8475
Cheddar 40# Block	:	1.5000-1.7475
Process 5# Loaf	:	1.4775-1.6650
Process 5# Sliced	:	1.4875-1.7325
Muenster	:	1.5975-1.7900
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is mostly steady. Early week trading at the CME, saw barrels lose a little of last week's gains with blocks continuing to hold at \$1.3600. Holiday orders are being filled and shipped. Buyers are also looking at January needs for Super Bowl events. Natural supplies remain tight with availability not expected to improve appreciably for another week or two. The call for holiday gift pack items is starting to ease as the holidays approach. Demand for aged cheddar is seasonally good. Process demand remains generally fair at best. Cheese production in the Midwest is little changed from recent weeks.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4375-1.8100
Brick And/Or Muenster 5#	:	1.8400-2.0225
Cheddar 40# Block	:	1.7175-2.1150
Monterey Jack 10#	:	1.9100-2.1150
Blue 5#	:	2.1175-2.5400
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6625-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.0000-2.6850

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
	:	:
12/08/03	41,184	: 123,265
12/01/03	41,424	: 123,592
CHANGE	-240	: -327
% CHANGE	-1	: 0

WEST

Prices for barrel cheese rebounded sharply last week at the CME cash market. In recent trading, the market gave back a few cents to leave the spread between barrels and blocks at a wide 9 cents on December 8. The feedback from market contacts indicates that a wider than normal spread at this point in time accurately reflects current supply/demand conditions. Demand for current blocks remains aggressive in the West. Some orders are being delayed because of the lack of expected volumes of milk. Interest in barrels and processing solids is not nearly as aggressive though sales are occurring at discounted prices. Mozzarella sales are about steady with Swiss activity reported as good for December. U.S. total cheese output in October reached 739.2 million pounds, up 1.0% (27.1 million pounds) from last year. Cumulative total cheese output for the first ten months of the year is 7.16 billion pounds, up 0.5% (35.9 million pounds) from the same period in 2002. Output in the Western region in October for total cheese was 294.9 million pounds, up 6.4% or 17.8 million pounds from last year. The West produces about 40% of the total U.S. cheese production. U.S. Swiss output in October was 23.6 million pounds, up 5.3% from last year and the highest monthly output in at least four years.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4050-1.6650
Cheddar 40# Block	:	1.4900-1.8400
Cheddar 10# Cuts	:	1.6700-1.8900
Monterey Jack 10#	:	1.6800-1.8400
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

FOREIGN

Prices are unchanged and the market tone is improving along seasonal patterns. Demand for foreign type cheese is rather brisk, particularly for gift items. Supplies are adequate to meet current needs. The Euro remains very strong, but importers place relatively few buying orders at this time of year.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.7200	: 1.7200-3.2100
Gorgonzola	: 3.6900-5.9400	: 2.2375-2.4900
Parmesan (Italy)	: TFEWR	: 3.1300-3.2200
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.7275-1.9550
Romano (Cows Milk)	: -0-	: 2.9175-5.0900
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.7900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.2500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	8	0	0	0	30	0
SOUTHEAST STATES	0	0	0	0	0	0

EDITOR'S NOTE: Due to changes in milk supply agreements, milk import/export totals are not directly comparable to year ago figures and to shipments prior to April 1, 2003.

The following are the November 2003 Class and component prices under the Federal Milk Order pricing system: Class II \$10.99 (up \$0.15 from October), Class III \$13.47 (down \$0.92); and Class IV \$10.30 (up \$0.14). The following are the product price averages used in computing Class prices: butter \$1.1881, NDM \$0.8130, cheese \$1.4941, and dry whey \$0.1947. The Class II butterfat price is \$1.2947 and the Class III/IV butterfat price is \$1.2877. Milk production throughout the East is mostly steady. Last week's storm and colder weather appear to have slowed or halted milk production gains in parts of Southeast and Middle Atlantic areas. The storm dumped any where from a few inches to more than two feet of snow in areas from Maryland to Maine. Milk transportation schedules were delayed by the storm, but few problems were noted. Bottlers were very active prior to the storm. Most bottlers are back on normal schedules this week and most are planning for the upcoming holidays when milk sales usually slow. Surplus milk volumes remain tight. Many contacts still comment on how little milk there is coming into their plants. Florida's need for milk is quite well balanced, which mean that shipping plants do have a little more milk to process. However, this week's continued good demand for Grade A milk for bottling is keeping manufacturers' receipts light. The condensed skim markets are little changed from past weeks. The lower Class III prices are still too high to compete with NDM. Producers are filling contracts for Class II wet solids, but report few spot inquiries. This is allowing them to run their dryers a little more frequently. The fluid cream market remains firm. Producers have barely enough to fill their contracts and some have had to buy supplemental loads. Spot prices are generally higher following last week's 2.33 cent jump in the CME butter average. Demand is good, but contacts all know that most of the current demand will come to a screeching halt just before the holidays. Historically, this is a time when many ice cream makers reduce output or shut down for a two week period. Production of holiday items like egg nog and bottled cream will also be winding down next week. Cream cheese output is holding at moderate to heavy levels, depending on cream availability to individual producers. Churning activity is up slightly, but still lighter than expected.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7192-1.9559
DELIVERED EQUIVALENT ATLANTA	-	1.7254-1.9933 M 1.8189-1.9310
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6943-1.8064

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8700- .9300
NORTHEAST- CLASS III - SPOT PRICES	- .9800-1.0600

M I D W E S T

Class I demand is quite active this week as bottlers returned to regular bottling schedules following the post Thanksgiving week. Most bottlers indicate that they anticipate to be at these levels through most of next week. By late next week, milk demand for schools will drop sharply as they close for the holidays. Some of the school milk will be absorbed by additional milk needs for retail, but overall bottled milk demand will decline as the yearend nears. Milk production in the Central part of the country is seasonally steady and often lags projected volumes. For those manufacturers looking for additional milk, supplies are limited. For the milk that is available, premiums of \$1.35 - 2.00 over class delivered are being reported. Milk handlers anticipate that additional

milk will become available over the Christmas/New Year holiday period, but also indicate that it may not be discounted as much as buyers have seen in years past. Cream markets are firm. The base price has increased with pricing multiples holding steady to higher. Cream demand remains strong for Class II needs. Production of cream based holiday items remains very active and is anticipated to remain so through much of next week. Some ice cream producers have already reduced their production schedules and will be totally down during the holidays. Surplus cream is projected to be available over the Christmas/New Year period with many butter operations hoping to pick this cream up at favorable prices.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	DEC 05 - 10	PREVIOUS YEAR
SLAUGHTER COWS	\$ 51.60- 56.00	\$ 32.50- 39.50
REPLACEMENT HEIFER CALVES	\$300.00-450.00	\$250.00-350.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	DEC 05 - 10	PREVIOUS YEAR
SLAUGHTER COWS	\$ 51.00- 60.00	\$ 35.00- 41.00

W E S T

The CALIFORNIA Department of Food and Agriculture (CDFA) denied a request for a hearing to adjust make allowances in Class 4a and Class 4b pricing formulas. The analysis by CDFA showed that the current make allowances for cheese, butter, and nonfat powder are not excessive. Class 1 prices for CALIFORNIA in January range from \$13.88-14.15. The statewide average based on production is \$13.93. This price is up \$1.22 from last year but down \$1.24 from last month. Milk production in CALIFORNIA is generally steady with slight increases and decreases noted. The summer stress seems to be impacting output into the fall. Tests are finally rebounding and reaching good seasonal levels. Some winter rains are occurring over central and northern areas of the state, but no problems are expected from these conditions. Most dairies in the state seem to have the majority of their hay needs covered until new crop supplies become available. Those that are not covered are experiencing more financial stress and have to buy on a more current basis. Stocks of unsold high quality hay are generally light. Milk output in ARIZONA and NEW MEXICO is generally steady with only slight increases noted. The irregular pattern of the milk flow this early winter season is being attributed to the summer milk production stress. Milk is being handled very easily by manufacturing plants at this time. Normal winter rains and snow have been common over much of Western OREGON and WASHINGTON. The current weather patterns have not caused much stress on the milking herds and the moisture is very welcome. Shower activity in the eastern parts of the two states has been much more scattered. Milk producers in OREGON seem to be much more active in acquiring top quality hay for winter feeding needs than those in WASHINGTON. The monthly heifer sale in the region continues to show strength for springing heifers. Prices were often \$200 higher with many sales reported either side of \$2000 per head. Buyer interest was rated as very good. Snow and rain continue to be reported in UTAH and IDAHO. Water conditions seem to be improving faster in UTAH than IDAHO. Some mountain areas have recorded snow falls exceeding 135 inches by the first week in December. The cold has not been bad enough to stress the milk herds in the region. Hay supplies in the region appear to be adequate. Good movement on high quality feeder hay in the \$55-65 per ton range was noted in Idaho last week. Milk supplies are generally not up to expectations for this season. Some plants note that milk is actually declining somewhat. Most contacts believe that there will be surplus milk available over the holidays for manufacturing purposes and most operations will welcome the additional supplies. Heifer prices in the region remain very firm. Top end prices are around \$1950 with the average about \$1650.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to lower on a mostly steady market. Although milk production is less than seasonally anticipated, NDM production is higher and excess loads are trading at lower prices. Spot interest is light with most movement occurring on a contractual basis. NDM from the CCC pudding and cheese exchanges is available and trading at competitive prices. Some Central region traders are securing supplies of NDM from the West. Supplies of condensed skim are steady with some renewed interest exhibited by some cheese plants despite the cost advantage of NDM.

EAST: Prices are mostly steady. However, competition from NDM released via government programs, plus the regional decline in the national marketing agency's December price, has other producers thinking about adjusting their prices. The market tone, though firm, may be showing some weakness. Production levels are up slightly at some plants, steady at others. In the quest for more cream, a few plants found themselves with a little too much skim and had to dry it. In some instances, demand is less aggressive due to year end considerations. Producer stocks range from light to barely adequate. Traders report that activity is light and spot sales are more often filled with "program" powder.

DAIRY PRODUCTS: Production of human food, nonfat dry milk during October 2003 totaled 99.1 million pounds, down 4.1% from October 2002 but 12.0% above September 2003. Month ending stocks, at 67.0 million pounds, are 3.4% below a year ago and 3.2% lower than last month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8325 - .8800 MOSTLY: .8350 - .8600
 HIGHHEAT: .8700 - .9450

NONFAT DRY MILK - WEST

No price changes are noted for low/medium heat powder in the Western region. The market tone appears to be about steady. Contacts are commenting that there seems to be less government swap powder available. The amount of skim or condensed used by cheese plants is quite variable depending on circumstances. The industry is waiting for the next DEIP announcement, but they continue to export some powder without assistance. Net clearances of powder from the West to the CCC program for the period of November 26 - December 5 total 15.5 million pounds. This total is on the high side because of the reporting differences caused by the Thanksgiving holiday. The high heat market is holding steady with some producers scrambling to fill orders in a timely fashion. U.S. NDM production in October totals 99.1 million pounds, down 4.1% from last year. Stocks at the end of the month are 67.0 million pounds, down 3.4% from October 2002. Cumulative output for the first ten months of 2003 has reached 1.26 billion pounds, down 6.1% (81.5 million pounds) from last year. October output in the Western region, at 83.7 million pounds, is down 7.3% from last year. The West produces almost 85% of the U.S. NDM production.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7950 - .8825 MOSTLY: .8000 - .8175
 HIGHHEAT: .8375 - .8500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 5	\$.8076	12,058,975	5,351,773
November 28	\$.8064	11,592,651	5,615,114

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC.

Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a steady to firm market. Supplies remain limited. Increased production at some locations is being diverted to current accounts due to previous shipment shortages. Production remains behind seasonal expectations. Producers are expecting increased spot load availability at the beginning of 2004. Condensed buttermilk movement is mixed into ice cream manufacturing facilities with some producers reporting steady movement whereas others are seeing seasonal declines in interest. Production of dry buttermilk during October 2003 totaled 3.6 million pounds, 2.1% less than October 2002 but 48.1% above September 2003. Month ending stocks, at 2.1 million pounds, are 55.4% below a year ago and 8.6% less than September 2003.

F.O.B. CENTRAL: .9350 - 1.0125

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged and the Northeastern prices remain nominal. Production slowed as churning activity returned to pre-Thanksgiving levels. Producers have little powder on hand and any that does become available clears easily. Dry buttermilk production during October 2003 totaled 3.6 million pounds, down 2.1% from last October but 48.1% more than September 2003. Month ending stocks, at 2.1 million pounds, are 55.4% less than last year and 8.6% less than a month ago.

F.O.B. NORTHEAST: .8400 - .8500
 DELVDSOUTHEAST: .8800 - .9000

DRY BUTTERMILK - WEST

No price changes are noted for Western buttermilk powder in light trading activity. Producers continue to play catch up on previously sold loads of powder. They hope to become current on shipments with the additional surplus milk that should be available over the end of the year holidays. Many are booking orders for next year. U.S. buttermilk powder production in October totals 3.6 million pounds, down 2.1% from last year but up 48.1% from last month. The increase from last month parallels the increase noted in production of butter. Stocks of powder remain light with totals at the end of October at 2.1 million pounds, down 55.4% from last year.

F.O.B. WEST: .8500 - .8800 MOSTLY: .8500 - .8600

DRY WHOLE MILK - NATIONAL

Prices are unchanged to higher and nominal. The market tone is steady. Production remains light. Surplus milk volumes range from adequate in the West to very light in the East. Demand is fair and mostly contractual. Producer stocks remain light. Dry whole milk production during October 2003 totaled 2.9 million pounds, down 48.1% from last October and 45.0% less than September 2003. Month ending stocks are not reported for this product.

F.O.B. PRODUCING PLANT: 1.0750 - 1.2200

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 TO DATE
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 22,733 MT (50,117,171 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:

NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are lower on a weak market. Some producers discovered excess stocks in warehouses and offered out block loads at a discount. Other locations are noting increased production and are attempting to clear supplies before the year end. End user interest is light. Feed buyers are expressing interest in Extra Grade whey yet some are speculative and taking a wait and see approach as prices move lower. Resale whey is readily available at prices competitive with the current market. Production of human food, dry whey during October 2003 totaled 82.2 million pounds, 7.2% less than October 2002 but 4.4% above September 2003. Month ending stocks, at 36.1 million pounds, are 13.0% above a year ago but 4.7% less than September 2003.

F.O.B. CENTRAL: .1800 - .2100 MOSTLY: .1925 - .2025

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are unchanged in the Northeast, lower in the Southeast. The market tone is mixed. The Northeastern prices remain nominal as few spot sales are being reported. Reports indicate that the market tone is a little weaker in the Central and Western regions, which is being manifest in the Southeast by lower prices. Production levels eased slightly as surplus milk supplies moved back to pre-Thanksgiving levels. Also, last week's snow storm pulled more milk into bottling plants. Most cheese makers are planning on having more milk during the upcoming holidays, which may provide a little more dry whey after the first of the year. Currently, producer stocks remain light and most Eastern producers have little or no product to offer beyond their contract sales. Demand is a little less aggressive as users try to use what they have and minimize year-end stocks. Production of human food, dry whey during October 2003 totaled 82.2 million pounds, 7.2% less than October 2002 but 4.4% more than September 2003. Month ending stocks, at 36.1 million pounds, are 13.0% above last year but 4.7% less than a month ago. Production of animal feed, dry whey during October totaled 5.9 million pounds, 29.4% more than a year ago but 32.4% below September 2003.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2075 - .2250
DELVD SOUTHEAST: .2150 - .2450

DRY WHEY - WEST

Prices are generally steady with some weakness noted for some export sales. The two tier nature of the market continues with export sales slower than domestic activity. Some manufacturing plants are reporting that stocks of whey powder are building and that prices need to be reduced to keep powder moving. Other companies are in good shape with their inventories and are near the top of the market. Bidding is going on this week for a whey tender for the Far East market with some results expected to be available next week. U.S. edible whey production in October totals 82.2 million pounds, down 7.2% from last year. Stocks at the end of the month total 36.1 million pounds, up 13.0% from October 2002. Production in the Western region totaled 23.3 million pounds, down 9.2% from last year. The West produces about 30% of the U.S. edible whey production.

NONHYGROSCOPIC: .1650 - .2200 MOSTLY: .1700 - .2000

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to lower and nominal on a steady to weak market. Trading activity is increasing on aged stocks as handlers attempt to clear inventories before the year end. Early weaned pig prices are trending higher while veal prices move lower. Production of animal, dry whey during October 2003 totaled 5.9 million pounds, 29.4% more than October 2002 but 32.4% below September 2003. Month ending stocks, at 3.0 million pounds, are 39.5% above a year ago but 10.1% less than September 2003.

F.O.B. CENTRAL:
MILK REPLACER: .1800 - .1900

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are lower on a weak market. Some producers discovered excess stocks in warehouses and are offering loads at a discount to traders and some feed facilities. Production is mostly steady and supplies are mixed. While some locations are short on their commitments, other locations are running long on supplies and reducing premiums and/or discounting to clear excess stocks before the year end. Export movement is reportedly good on contracts. High protein and off grade product are readily available for the light to fair feed interest. Production of HUMAN FOOD WPC during October 2003 totaled 23.1 million pounds, up 0.4% from October 2002 but 0.9% below September 2003. Manufacturers' end-of-month stocks totaled 23.6 million pounds, 5.0% higher than a year ago and 1.0% above last month. Production of ANIMAL FEED WPC during October 2003 totaled 3.6 million pounds, up 4.4% from October 2002 and 9.0% above September 2003. Manufacturers' end-of-month stocks totaled 2.2 million pounds, 99.5% above last year and 35.7% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .5200 - .5825 MOSTLY: .5425 - .5725

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a firm market. Most trade activity is occurring on a contractual basis with some spot movement into infant formula and candy operations. Producers are attempting to complete negotiations for first quarter. Most domestic contracts are settled with negotiations into Asia slow to finalize. The undertone remains firm with prices expected higher in the first quarter, especially since some producers are shorting their current commitments. Lactose production during October 2003 totaled 52.7 million pounds, up 12.2% from October 2002 and 4.1% higher than September 2003. Month ending stocks, at 42.7 million pounds, are 1.8% higher than a year ago and 6.1% above last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1950 - .2650 MOSTLY: .2050 - .2200

CASEIN - NATIONAL

Casein markets and prices remain firm. Most domestic buyers indicate that they are basically getting their contracted volumes, but state that additional needs are difficult to locate, even from regular supply sources. Some juggling of delivery schedules is being reported. Suppliers state that the supply situation is not expected to get much better as the new year approaches and indicate that prices will remain firm, if not higher for 2004.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.1000 - 2.2000
ACID: 2.0500 - 2.2500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Surplus milk volumes are still tight in most parts of the country and production schedules are seasonally light. For the most part, retail needs have been shipped. However, a few last minute deliveries are being made. Producer stocks are at or near their annual low point, but sufficient to meet any additional needs. Canned evaporated milk production during October totaled 47.3 million pounds, 4.5% less than October 2002 but 17.8% more than September 2003. Month ending stocks, at 69.5 million pounds, are 13.1% more than a year ago but 9.4% below last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

OCTOBER 2003 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 97.0 million pounds in October, 5.5 percent below October 2002 but 32.7 percent above September 2003. **AMERICAN TYPE CHEESE** production totaled 302.6 million pounds, 1.6 percent above October 2002 and 4.3 percent above September 2003. **TOTAL CHEESE** output (excluding cottage cheese) was 739.2 million pounds, 1.0 percent above October 2002 and 3.8 percent above September 2003. **NONFAT DRY MILK** production, for human food, totaled 99.1 million pounds, 4.1 percent below October 2002 but 12.0 percent above September 2003. **DRY WHEY** production, for human food, was 88.1 million pounds, 5.5 percent below October 2002 but 0.7 percent above September 2003. **ICE CREAM** (hard) production totaled 68.7 million gallons, 2.6 percent below October 2002 and 4.4 percent below September 2003.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	OCT 2003	PERCENT CHANGE FROM:			PRODUCT	OCT 2003	PERCENT CHANGE FROM:		
	1,000 LBS.	OCT 2002	SEP 2003	YEAR TO DATE 1/		1,000 LBS.	OCT 2002	SEP 2003	YEAR TO DATE 1/
BUTTER	96,990	-5.5	32.7	-7.7	SOUR CREAM	74,338	---	-1.2	---
CHEESE					YOGURT (PLAIN AND FLAVORED)	183,285	3.0	-3.1	---
AMERICAN TYPES 2/	302,593	1.6	4.3	-1.2	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	220,422	0.6	2.9	-2.9	SWEET-TYPE, HUMAN FOOD	10,905	25.8	27.5	---
SWISS	23,597	5.3	10.4	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	8,207	-6.5	13.6	---	DRY WHEY, HUMAN FOOD	82,238	-7.2	4.4	---
CREAM & NEUFCHATEL	75,179	5.0	7.0	---	DRY WHEY, ANIMAL FEED	5,857	29.4	-32.4	---
HISPANIC	10,669	-4.8	-2.2	---	DRY WHEY, TOTAL	88,095	-5.5	0.7	1.7
MOZZARELLA	233,756	-1.5	2.0	1.3	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	65,141	2.5	5.3	3.9	HUMAN FOOD	3,684	-16.0	-3.6	---
TOTAL ITALIAN TYPES	298,897	-0.6	2.7	1.8	ANIMAL FEED	3,447	-2.7	12.7	---
ALL OTHER TYPES	20,076	2.8	-5.6	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	52,747	12.2	4.1	---
TOTAL	739,218	1.0	3.8	0.5	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	34,614	-8.6	-7.0	---	HUMAN FOOD	23,068	0.4	-0.9	---
COTTAGE CHEESE, CREAM 4/	30,090	-5.6	-7.3	1.8	ANIMAL FEED	3,593	4.4	9.0	---
COTTAGE CHEESE, LOWFAT 5/	30,370	-6.1	-4.0	-0.2	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAPORATED & CONDENSED					ICE CREAM (HARD)	68,666	-2.6	-4.4	-0.3
WHOLE MILK	47,256	-4.5	17.8	---	ICE CREAM, LOWFAT (HARD)	7,809	-0.7	0.7	---
DRY WHOLE MILK	2,864	-48.1	-45.0	---	ICE CREAM, LOWFAT (SOFT)	22,860	15.3	-7.2	---
NONFAT DRY MILK, HUMAN FOOD	99,090	-4.1	12.0	-6.1	ICE CREAM, LOWFAT (TOTAL)	30,669	10.7	-5.3	11.1
DRY SKIM MILK, ANIMAL FEED	475	1.5	3.3	---	SHERBET (HARD)	3,972	-2.1	-10.4	5.0
DRY BUTTERMILK	3,592	-2.1	48.1	---	YOGURT (TOTAL)	4,840	-17.2	-9.7	-10.6

MANUFACTURERS' STOCKS, END OF MONTH 7/							
PRODUCT	OCT 2003	PERCENT OF:		PRODUCT	OCT 2003	PERCENT OF:	
	1,000 LBS.	OCT 2002	SEP 2003		1,000 LBS.	OCT 2002	SEP 2003
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	36,105	13.0	-4.7	HUMAN FOOD	23,626	5.0	1.0
DRY WHEY, ANIMAL FEED	3,047	39.5	-10.1	ANIMAL FEED	2,248	99.5	35.7
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 8/	7,379	-16.4	-22.5	CANNED EVAPORATED & CONDENSED WHOLE MILK	69,519	13.1	-9.4
LACTOSE, HUMAN FOOD & ANIMAL FEED	42,682	1.8	6.1	NONFAT DRY MILK FOR HUMAN FOOD	67,012	-3.4	-3.2
DRY BUTTERMILK, TOTAL	2,074	-55.4	-8.6				

1/ 2003 cumulative as percent change of 2002 cumulative. 2/ Whole milk cheese, including Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 7/ Stocks held by manufacturers at all points and in transit. 8/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (12-03), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, NOVEMBER

Component Price Information: Under the Federal milk order pricing system, the butterfat price for November 2003 is \$1.2877 per pound. Thus, the Class II butterfat price is \$1.2947. The protein and other solids prices for November are \$2.9267 and \$0.0368 per pound, respectively. These component prices set the Class III skim milk price at \$9.29 per cwt. The November Class IV skim milk price is \$6.00 which is derived from the nonfat solids price of 0.6663 per pound. **Product Price Averages:** The product price averages for November are; butter \$1.1881, nonfat dry milk \$0.8130, cheese \$1.4941, and dry whey \$0.1947.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	NOVEMBER 2003				DECEMBER 2003
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) 4/	001	17.62	10.99	13.47	10.30	17.09
Appalachian (Charlotte) 5/	005	17.47	10.99	13.47	10.30	16.94
Southeast (Atlanta) 6/	007	17.47	10.99	13.47	10.30	16.94
Florida (Tampa) 7/	006	18.37	10.99	13.47	10.30	17.84
Midwest (Cleveland) 8/	033	16.37	10.99	13.47	10.30	15.84
Upper Midwest (Chicago) 9/	030	16.17	10.99	13.47	10.30	15.64
Central (Kansas City) 10/	032	16.37	10.99	13.47	10.30	15.84
Southwest (Dallas) 11/	126	17.37	10.99	13.47	10.30	16.84
Arizona-Las Vegas (Phoenix) 12/	131	16.72	10.99	13.47	10.30	16.19
Western (Salt Lake City) 13/	135	16.27	10.99	13.47	10.30	15.74
Pacific Northwest (Seattle) 14/	124	16.27	10.99	13.47	10.30	15.74
All-Market Average	---	16.95	10.99	13.47	10.30	16.42

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

3/ Names in parentheses are the major city in the principal pricing point of the market.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.

6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.

7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.

8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

12/ Class I price at Las Vegas is minus \$0.35.

13/ Class I price at Boise is minus \$0.30.

14/ Class I prices at other cities are: Portland, same; and Spokane, same.

OCTOBER FLUID MILK SALES

During October, about 4.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.0 percent lower than October 2002. After adjusting for calendar composition, sales in October 2003 were 1.5 percent lower than October 2002. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from October 2002, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/dvfmoms/mib/in-areasales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
OCTOBER 2003, WITH COMPARISONS ^{1/}

Product Name	Sales		Change from: ^{2/}	
	October	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,566	15,198	-1.2	-0.8
Flavored Whole Milk	94	857	-0.2	-0.1
Reduced Fat Milk (2%)	1,513	14,602	-0.4	0.2
Low Fat Milk (1%)	537	5,215	-3.3	-1.1
Fat-Free Milk (Skim)	671	6,569	-3.4	-2.9
Flavored Fat-Reduced Milk	347	2,674	3.1	6.4
Buttermilk	50	462	-0.6	-4.3
Total Fluid Milk Products ^{3/}	4,800	45,696	-1.0	-0.3
Total Fluid Milk Products Adjusted ^{3/ 4/}	4,762	45,654	-1.5	-0.4

^{1/} These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 93 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 7 percent of sales from the Federal milk order and California data. ^{2/} Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see ^{4/}. ^{3/} Total fluid milk products include the products listed plus miscellaneous products and eggnog. ^{4/} Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dvfmoms/mib/clndr_comp_rpt.pdf

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, OCTOBER 2003, WITH COMPARISONS ^{1/}

Area (Order Number)	Sales		Change from: ^{2/}	
	October	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	834	7,959	-1.2	-1.2
Appalachian (005)	307	2,888	2.8	0.8
Southeast (007)	414	4,006	-4.0	-1.5
Florida (006)	245	2,397	0.6	0.8
Mideast (033)	543	5,246	-4.2	-1.1
Upper Midwest (030)	385	3,620	-1.1	-0.4
Central (032)	414	3,872	2.0	0.8
Southwest (126)	374	3,491	0.3	0.2
Arizona-Las Vegas (131)	113	1,082	2.0	2.7
Western (135)	78	733	-2.0	-1.5
Pacific Northwest (124)	189	1,794	-2.8	-0.4
California (---)	567	5,408	-0.6	0.3

^{1/} These figures are representative of the consumption of total fluid milk products in the respective area; see ^{3/} above for the products included. ^{2/} Percent changes, as well as sales volumes, are shown on an unadjusted basis; see ^{4/} above.

SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, SEPTEMBER 2003

In September 2003, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.28 per cwt., \$1.37 more than the revised figure for the previous month. The component tests of producer milk in September 2003 were: butterfat, 3.61%; protein, 3.02%; and other solids, 5.68%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$17.25 in Florida to \$12.36 in the Northwest States. In September 2002, the Federal milk order all-area average mailbox price was \$11.40, \$2.88 lower.

Note: The mailbox price data series includes producer milk marketings that were not pooled under the Federal milk order system due to disadvantageous price relationships.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	September 2002	August 2003	September 2003
	Dollars per hundredweight		
Northeast Federal Milk Order	11.29	12.87	14.49
Appalachian States <u>3/</u>	12.21	12.92	14.67
Southeast States <u>4/</u>	13.10	13.88	15.51
Southern Missouri <u>5/</u>	11.55	12.41	14.22
Florida	15.36	15.25	17.25
Ohio	11.19	12.38	14.13
Michigan	11.03	12.21	13.90
Wisconsin	11.46	13.98	14.95
Minnesota	11.48	14.32	15.10
Iowa	11.26	13.54	14.68
Illinois	11.29	13.01	14.54
Corn Belt States <u>6/</u>	11.15*	11.90	13.45
Western Texas <u>7/</u>	11.75	12.36	13.95
New Mexico	10.86	11.25	13.13
Idaho	10.52	12.56*	13.47
Utah	10.16	11.43	13.17
Northwest States <u>8/</u>	11.07	11.25	12.36
All Federal Order Areas <u>9/</u>	11.40	12.91*	14.28
California <u>10/</u>	10.58	12.75	NA

*= Revised.

NA= Not available.

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 6/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 5/. 7/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 8/ Includes Oregon and Washington. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. 10/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

DECEMBER MILK SUPPLY AND DEMAND ESTIMATES*

The dairy production forecast for 2003/04 is reduced 400 million pounds from last month. Milk per cow continues to lag long-term trends. The stocks forecast is also reduced from last month. Class III and IV price forecasts are raised to reflect the tighter supplies. The all milk price is forecast to be \$12.35-\$12.95 in 2003/04.

Item	2001/02 1/	2002/03 Projection 1/		2003/04 Projection 1/	
		November	December	November	December
SUPPLY		BILLION POUNDS			
BEGINNING COMMERCIAL STOCKS 2/	8.8	11.2	11.2	11.0	11.0
PRODUCTION	169.2	169.9	169.9	171.4	171.0
FARM USE	1.2	1.1	1.1	1.0	1.0
MARKETINGS	168.0	168.8	168.8	170.4	170.0
IMPORTS 2/	5.2	4.9	4.9	4.9	4.9
TOTAL COMMERCIAL SUPPLY 2/	182.0	185.0	185.0	186.3	185.9
USE					
COMMERCIAL USE 2/ 3/	170.5	172.7	172.7	176.7	176.7
ENDING COMMERCIAL STOCKS 2/	11.2	11.0	11.0	9.1	8.8
CCC NET REMOVALS:					
MILKFAT BASIS 4/	0.3	1.2	1.2	0.5	0.4
SKIM SOLIDS BASIS 4/	9.6	9.2	9.2	6.1	5.9
		DOLLARS PER CWT.			
MILK PRICES 5/					
CLASS III 6/	11.03	10.63	10.63	10.95-11.65	11.10-11.70
CLASS IV 6/	11.22	10.05	10.05	9.70-10.60	9.80-10.60
ALL MILK 7/	12.74	11.90	11.90	12.15-12.85	12.35-12.95
		MILLION POUNDS			
CCC PRODUCT NET REMOVALS 4/					
BUTTER	0	29	29	15	10
CHEESE	9	47	47	10	10
NONFAT DRY MILK	817	751	751	515	500
DRY WHOLE MILK	0	0	0	0	0
	QUARTERLY 8/			ANNUAL 8/	
	2003 IV	2004 I	2004 II	2003	2004
MILK PRODUCTION	41.6	43.4	44.2	169.9	171.4
		DOLLARS PER CWT.			
ALL MILK PRICE 5/ 7/	14.65-14.85	12.25-12.75	10.95-11.75	12.55-12.65	11.85-12.65
CLASS III PRICE 5/ 6/	13.15-13.35	10.70-11.20	9.95-10.75	11.35-11.45	10.65-11.45
CLASS IV PRICE 5/ 6/	10.15-10.45	9.75-10.35	9.55-10.55	9.90-10.10	9.85-10.85

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Federal milk order minimum prices. 7/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 8/ Calendar year basis projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Authur Coffing, FAS; James Miller, ERS; and Daniel Colacicco, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-405, World Agricultural Outlook Board, USDA, December 11, 2003.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF DECEMBER 8 - 12, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 12/05/03	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	343,714	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	1,900,800	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	2,244,514	-0-	-0-
NONFAT DRY MILK							
Nonfort	15,639,676	1,853,564	13,786,112	79,258,569	83,906,487	864,689,000	1,058,078,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
TOTAL	15,639,676	1,853,564	13,786,112	79,139,521	83,906,487	911,080,000	1,104,469,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF DECEMBER 8 - 12, 2003 =	3.0	160.5	COMPARABLE PERIOD IN 2002 =	4.7	87.2
CUMULATIVE SINCE OCTOBER 1, 2003 =	17.4	921.2	CUMULATIVE SAME PERIOD LAST YEAR =	39.2	998.9
CUMULATIVE JAN. 1 - DEC. 12, 2003 =	709.5	7,335.4	COMPARABLE CALENDAR YEAR 2002 =	233.8	7,778.6

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF DECEMBER 8 - 12, 2003 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	13,786,112	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	1,900,800	-0-	640,384	-0-	45.1
WEST	-0-	-0-	-0-	343,714	79,139,521	83,266,103	100.0	54.9
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	2,244,514	79,139,521	83,906,487	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 11/22/03 & Comparable Week 2002

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2003-Dairy	0.2	0.8	9.5	5.6	23.8	2.5	0.5	1.0	15.2	2.9	62.0	2,587.7	47.1	47.8
2002-Dairy	0.2	0.7	7.4	5.5	21.1	2.6	0.4	0.7	14.8	2.4	56.0	2,233.2	44.7	46.0
2003-All cows	0.2	1.0	12.6	12.9	35.6	18.3	21.0	3.9	17.7	8.5	131.7	5,411.1		
2002-All cows	0.2	0.9	10.3	13.7	32.9	18.6	17.3	4.2	18.5	8.9	125.4	5,077.5		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74

FEDERAL MILK ORDER CLASS PRICES FOR 2003 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	10.56	10.23	9.81	9.64	9.71	9.74	9.77	10.97	13.71	14.27	14.37	13.84
II	11.29	10.66	10.54	10.44	10.43	10.46	10.63	10.81	10.76	10.84	10.99	
III	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	
IV	10.07	9.81	9.79	9.73	9.74	9.76	9.95	10.14	10.05	10.16	10.30	

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cis_prod_cmp_pr.htm